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COOPERATION DEPARTMENT

NOTIFICATION

The 12th March, 2024

Sub: Provision of funds for "Share Capital Investment to Cooperative Credit Institutions" scheme for 5 years from 2023-24 to 2027-28.

No.3380—COOP-CR5-SCHM-0001/2022/Coop.— The State Cabinet in their 67th meeting held on dated 9th March, 2024 have approved the proposal for Provision of funds for "Share Capital Investment to Cooperative Credit Institutions" scheme for 5 years from 2023-24 to 2027-28. The Scheme "Share Capital Assistance to the Co-operative Credit Institutions" is being implemented by the State Government under Programme Expenditure with a view to increase the equity base of Odisha State Co-operative Bank (OSCB) Ltd., District Central Co-operative Banks (DCCBs) and Primary Agricultural Co-operative Societies (PACS). These Co-operatives extend credit to the risky agriculture sector on Government targeted rates.

1. Background

In pursuance of the recommendations of the All India Rural Survey Committee in 1952, the State Government has been providing Share Capital contribution to the PACS, DCCBs and the Odisha State Co-operative Bank to strengthen their resource base and to enable them to borrow funds from refinancing agencies. Subsequently, the State Government entered into MoU with Govt. of India and NABARD on dated 16th November, 2006 to implement Vaidyanathan Committee Recommendations for revitalization of the Short Term Co-operative Credit Structure (STCCS) in which, the Share Capital of the Government has been fixed at the maximum level of 25% of the total Share Capital of the Credit Co-operative Societies in the three-tier Short Term Co-operative Credit Structure.

The three tier Short Term Co-operative Credit Structure (STCCS) in the State consists of functional Primary Agricultural Co-operative Societies (2711

PACS/LAMPCS) at the grass root level, 17 District Central Co-operative Banks (DCCBs) which are licensed by RBI since 2013 with their 334 branches in the middle rung and the Odisha State Co-operative Bank (OSCB) at Apex level (a Scheduled Bank). Further, 1521 new PACS have been registered during this Financial Year in order to bring these institutions further closer to the farmers. These Co-operative Credit Institutions with their wide outreach in the rural areas and accessibility to the small, marginal, landless farmers have been playing vital role in dispensation of Agricultural credit around 50-55% of the total loan dispensed to the farmers in the State.

The State Government have been infusing substantial funds through the budgetary route for restructuring of the STCCS to enable them to become viable and vibrant organizations to continue to play a vital role in shaping of the agrarian economy of the State through dispensation of Agricultural credit for increase of production and productivity in Agriculture.

2. Scheme Objectives

Infusion of equity capital to the Short-Term Credit Co-operative Structure (STCCS) enables them to maintain their Capital to Risk Weighted Assets Ratio (CRAR) as stipulated by RBI at 9% at the minimum and the advisable CRAR of 12%.

Maintenance of required minimum CRAR of 10% is also mandatory for being allowed to operate various technology-based banking services like net banking, mobile banking, NEFT, RTGS etc.

Government equity contribution also helps the STCCS to augment their own funds base, on which their eligibility for availing borrowings from higher financing agencies is assessed which is crucial for mobilizing resources for their lending programme. At present, the Co-operative Banks and PACS are competent to borrow 20 times of their share capital and free reserves. So share capital base of the Co-operatives play a major role in their capacity to borrow from higher financing agencies.

The Scheme Share Capital Assistance to Co-operative Credit Institutions is being implemented by the State Government under the programme expenditure with a view to increase the equity base of OSCB, DCCBs and PACS so as to enable them to deliver required services to their members in terms of loans and other banking services.

3. Coverage under the scheme/ Programme and duration

The project envisages provision of Share Capital Assistance to the Co-operative Banks/ PACS/ LAMPCS to enable them to become viable and vibrant organization and to play a vital role in shaping of the agrarian economy of the State through dispensation of agricultural credit for increase of production and productivity in agriculture. The scheme will be implemented for 5 years from 2023-24 to 2027-28.

4. Implementation of the scheme

Co-operation being covered under State list, the State Governments are the appropriate authority to contribute equity capital to the Credit Co-operatives to augment their share capital base.

The Scheme Share Capital Assistance to Co-operative Credit Institutions is being implemented by the State Government under the programme expenditure with a view to increase the equity base of OSCB, DCCBs and PACS so as to enable them to deliver required services to their members in terms of loans and other banking services. It is applicable to all the ST Credit Co-operatives i.e. the Odisha State Co-operative Bank, the District Central Co-operative Banks and the Primary Agricultural Co-operative Societies.

5. Source of funding for the Scheme/ Project and fund flow mechanism

The present scheme is an ongoing scheme. The total outlay of the scheme is Rs.950.00 Crores for five years starting from 2023-24 to 2027-28. The provision for funds will be made from the State plan budget. The year wise details is as under:

(Amount in Crores)

Financial Year	Crop loans to be financed by Co-operative Credit Institutions	Financial outlay for providing Share capital assistance to Co-operative Credit Institutions
2023-24	18000.00	165.00
2024-25	18500.00	185.00
2025-26	19000.00	200.00
2026-27	19500.00	200.00
2027-28	20000.00	200.00
Total	95000.00	950.00

The EFC meeting held under the Chairmanship of Principal Secretary, Finance on dated 5th January, 2024 has accorded clearance for implementation of the scheme "35009-Share Capital Investment to Co-operative Credit Institutions" for 5 years starting from 2023-24 to 2027-28 with financial outlay of Rs.950.00 Crores.

6. Intended Scheme/ Programme Outcome

Infusion of share capital to Co-operative Credit Institutions helps maintain the desired level of CRAR prescribed by RBI.

Increased share capital base has resulted in availing required borrowing and disbursement of loans and advances at an enhanced level. This has led to higher profitability and net worth of the Co-operative Bank which, in turn, has enabled them to deliver required services to their affiliated PACS and through them to their farmer members.

Increased share capital base has helped the Co-operative Banks to augment borrowings from higher financing agencies and lending to the PACS who ultimately disburse the amount to their farmer members as loans.

7. Monitoring and Evaluation mechanism

There will be third party evaluation of the scheme by PPOMU Cell of the Finance Department to know the success and Shortcomings of the scheme and to take suitable decisions to overcome the shortcomings.

Co-operation Department shall ensure to provide fresh crop loans and inclusion of new farmers every year with special emphasis on tribal areas for crop loan assistance from Co-operative Credit Institutes.

Co-operation Department shall conduct audit of all Co-operative Credit Institutes on regular basis. Further Administrative Dept. shall issue a detailed guideline of this scheme with approval of Competent Authority.

Co-operation Department will undertake wide publicity of the scheme to attract more number of small and marginal farmers to avail the benefits.

The State Government may modify/ amend/ alter the guidelines/norms of programme for smooth implementation.

By order of Governor

RAJESH PRABHAKAR PATIL

Commissioner-cum-Secretary to Government